Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
	)	
A La Carte and Themed Tier Programming and Pricing Options for Programming Distribution on Cable Television and Direct Broadcast Satellite Systems	))))	**MB Docket No. 04-207**

REPLY COMMENTS OF THE HALLMARK CHANNEL

Crown Media United States LLC ("Crown Media"), which operates the Hallmark Channel and Hallmark Movie Channel, replies to those commenters supporting some form of universal a la carte carriage or mini-tiers -- whether government-mandated or "voluntary." Although such proposals may be well-intentioned and have surface appeal, they would have disastrous effects on independent programming networks like the Hallmark Channel and would harm consumers as well.

Crown Media provided empirical data in its initial comments from its own business experience, demonstrating the important positive impacts of carriage on broad-based tiers upon subscribership, viewership ratings and advertising revenues. It specifically reported the effect of the resulting subscriber growth on its advertising revenues and how increased subscription and advertising revenues have enabled it to invest over $500 million in programming production and acquisition, including original movies and series. That investment has, in turn, yielded further increases in ratings and advertising revenues, propelling the

Hallmark Channel to a top-ten rating in total day household rating during the first seven months of 2004. Crown Media's experience with the Hallmark Channel also supports the conclusion that substantially greater advertising revenues are available to programming services with 50 to 60 million subscribers -- a level of subscribership that can be achieved only through carriage on broad-based tiers.

As Crown Media explained in its initial comments, a la carte carriage or mini-tiers would nullify Crown Media's business plan. Subscribership and advertising revenues would decrease significantly, and Crown Media would be forced to incur substantially-increased marketing costs to sell its service to individual subscribers. Because it has not developed brand equity over several decades and is not owned by a broadcast network or other large media company with many cable networks offering extensive cross-promotional opportunities, this added marketing expense would be prohibitive. Thus, Crown Media would face substantially reduced revenues and increased costs. The only reasonable economic response would be to attempt to recoup at least a portion of its lost revenues through increased license fees (which consumers would ultimately pay) and to reduce programming costs, its largest expense category. Crown Media believes that such license fee increases would be unrealistic -- given today's competitive environment and cost control objectives.

In response to these economic realities, which are based upon Crown Media's real-world financial experience, proponents of a la carte carriage or mini-tiers offer only generalizations and assertions. They do not explain how programmers such as Crown Media could survive, much less prosper, in an a la carte world because they cannot. Quite simply, the economics do not work, particularly in today's competitive marketplace, and mandatory a la carte carriage or mini-tiers do not survive even minimal financial scrutiny. The demise of DIRECTV's "family tier" should be instructive.

Government interference in the marketplace of ideas to require a la carte carriage or mini-tiers would achieve the opposite of its intended effect. New programming entrants effectively would be barred; existing independent networks likely would be acquired or fail, increasing media concentration in either event; and programming investment would decline, thereby further decreasing diversity. The bottom line is that consumers would pay more for fewer programming choices and reduced programming quality.

Respectfully submitted,

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By: /S/

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